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CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
13 October 1965

INTELLIGENCE MEMORANDUM

The Situation in Uruguay

1. Uruguay's political and economic problems today derive in large part from a tradition of [redacted] government. Politicians for years have preferred to concentrate on intraparty politics and patronage privileges rather than the national interest. Unless the government can stand firm and display fiscal and political responsibility in the face of strident labor demands, an unconstitutional change of government is likely. A coup in Uruguay is much more likely to come from the right than from the left, and could bring to power a nationalistic political faction inimical to US interests.

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2. Two major political parties have dominated the Uruguayan scene for over 100 years. The National Party (Blancos) has governed since 1958 and is basically moderate and pro-Western in its policies. There is little difference of policy between the Blancos and the opposition Colorado Party. The lack of order in Uruguayan politics stems from the fact that complex national electoral laws have encouraged political fragmentation and permitted politicians representing the entire range of the political spectrum to run under either party banner.

3. The government is conducted by a nine-man National Council of Government (NCG) which features an annually rotating presidency. The Council currently has six Blancos and three Colorados. However, the six Blancos represent two factions: four, including the present president, Washington Beltrán, are from the moderate Blanco Democratic Union (UBD) and two are from the authoritarian, highly nationalistic, and frequently anti-US Herrerista faction. The three Colorado Party councilors also represent two distinct factions of their party. This cumbersome system and the plurality of views which it represents have often combined to paralyze executive

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decision-making and to frustrate responsible Uruguayan officials.

4. The current economic crisis is only the latest in a series of difficulties basically caused by a grossly over-extended public welfare system, a number of inefficient autonomous government enterprises, fluctuating prices and the loss of world markets for meat and wool (Uruguay's two main products), and the inability of the country to increase its productivity in line with its spending. The country suffers from a continuing industrial recession, rising unemployment (now estimated between 12 and 20 percent), growing budget deficits, and a spiraling cost of living which is expected to rise more than 60 percent this year. Per capita gross domestic product has declined nearly one percent annually since 1957 and real wages have declined for the last two years.

5. In addition, the government has been unable to solve a chronic balance of payments problem. Despite two peso devaluations in the last year, the free market rate (approximately 65 per dollar) continues to exceed the official rate by approximately 175 percent. A high-level Uruguayan mission has just concluded a visit to the US and Europe to renegotiate the foreign debt; foreign lenders are tying further unsecured loans and lines of credit to government implementation of vitally needed economic austerity measures. Aside from current efforts to reduce the inflationary spiral by holding down wage demands, no effective measures have been forthcoming. In the absence of credit and exchange reforms, foreign assistance has been withheld.

6. The Uruguayan Communist Party (PCU) is large, legal, and vociferous. It has some 15,000 members and draws its main support from urban labor, particularly in Montevideo. The PCU either controls or influences most labor unions, as well as student groups and many intellectuals and has penetrated most levels of government. For the past year the party has vacillated between fear of inviting government reprisals or provoking a rightist coup on the one hand and a desire to exploit the legitimate grievances of the Uruguayan worker on the other. Within the last month, PCU policy appears to have veered toward the latter course, as

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the party apparently now fears that failure to produce concrete benefits for the workers will cost it support within the labor unions.

7. The crux of the current crisis is the government workers' demand for 50-percent wage raises. They have refused to accept a government-offered package, including wages and side benefits, totaling 25 percent. The PCU is supporting the workers' demands and Communist union leaders have called a 24-hour general strike to coincide with a 72-hour government employees strike scheduled to begin 13 October. Rank and file pressure on the Communists and union leaders to produce is intense, particularly because a year-long pre-election wage freeze for government employees goes into effect in November. Pressure on the government to hold the wage line and maintain security is equally intense because the government must demonstrate some political and fiscal responsibility if it is to receive vitally needed foreign loans, credit, and aid. In addition, any sign of government weakness would not only encourage further Communist-backed economic demands, but would be interpreted as a Communist victory. The party would gain respectability and probably increase its electoral strength in November 1966. Moreover, should the government bow to labor's demands it would greatly increase the risk of a rightist coup.

8. There is little reason to think that the Communist Party is either capable or desirous of overthrowing the government. Montevideo, in fact, has served Communism well as a propaganda dissemination center and staging point for travelers to and from the bloc, and is considered a prime site for bloc third-country operations. The PCU does not wish to jeopardize its considerable freedom of action by provoking a right-wing coup, and until recently the party has sought to appeal to workers and others as a respectable political party, especially through its electoral front, FIDEL.

9. Right-wing groups, on the other hand, have shown an increasing reluctance to support the present

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form of government, and some responsible businessmen and government officials--long the protectors of Uruguay's cherished democratic traditions--have indicated that they would no longer oppose a change, even though it might be unconstitutional. Politicians in both parties agree a constitutional change in the form of government is needed, but they have been unable to agree on timing or the form change should take. As chances for a legal change in the system of government have receded, prospects for a coup have increased.

10. The Uruguayan military has traditionally been aloof from politics and reluctant to interfere in the government. Government security forces number approximately 26,000--including a 10,000-man army and a 13,500-man police force. There is probably no significant Communist penetration of either the police or army. Although these organizations are adequate for maintaining order and controlling routine demonstrations--of which there have been some 220 in the last eight months--both are hampered by poor training, obsolete equipment, and woefully inadequate communications facilities.

11. The military would probably not initiate a coup but is fully capable of putting down any coup attempt in which it does not decide to participate. A successful coup would therefore have to have at least tacit army and police support.

Coup rumors have often centered around General Mario Aguerrondo, who reportedly has ties to National Councilman Alberto Heber, a member of the Herrerista faction of the ruling Blanco Party. Heber is scheduled to become president of the Council in March 1966, and he might move to take power and overthrow the constitution if the opportunity presents itself. Alternatively, other Blancos, also thought to have significant military support, might become convinced that a coup is required to maintain order and preserve their position. There is as yet no dynamic leader of either the right or left who appears able to attract a large personal following.

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The average Uruguayan is tired of the endless political and economic chaos, however, and would probably support at least passively anyone who promised a way out.

12. Uruguay's position as a buffer state between its two large neighbors, Argentina and Brazil, has traditionally made it subject to their pressures and has fostered [redacted] Uruguayan dedication to the principle of non-intervention. It is extremely unlikely that either the Brazilians or Argentines would tolerate a Communist government in Uruguay. They have, moreover, more leverage in the Uruguayan political scene than does the US, if only because of proximity.

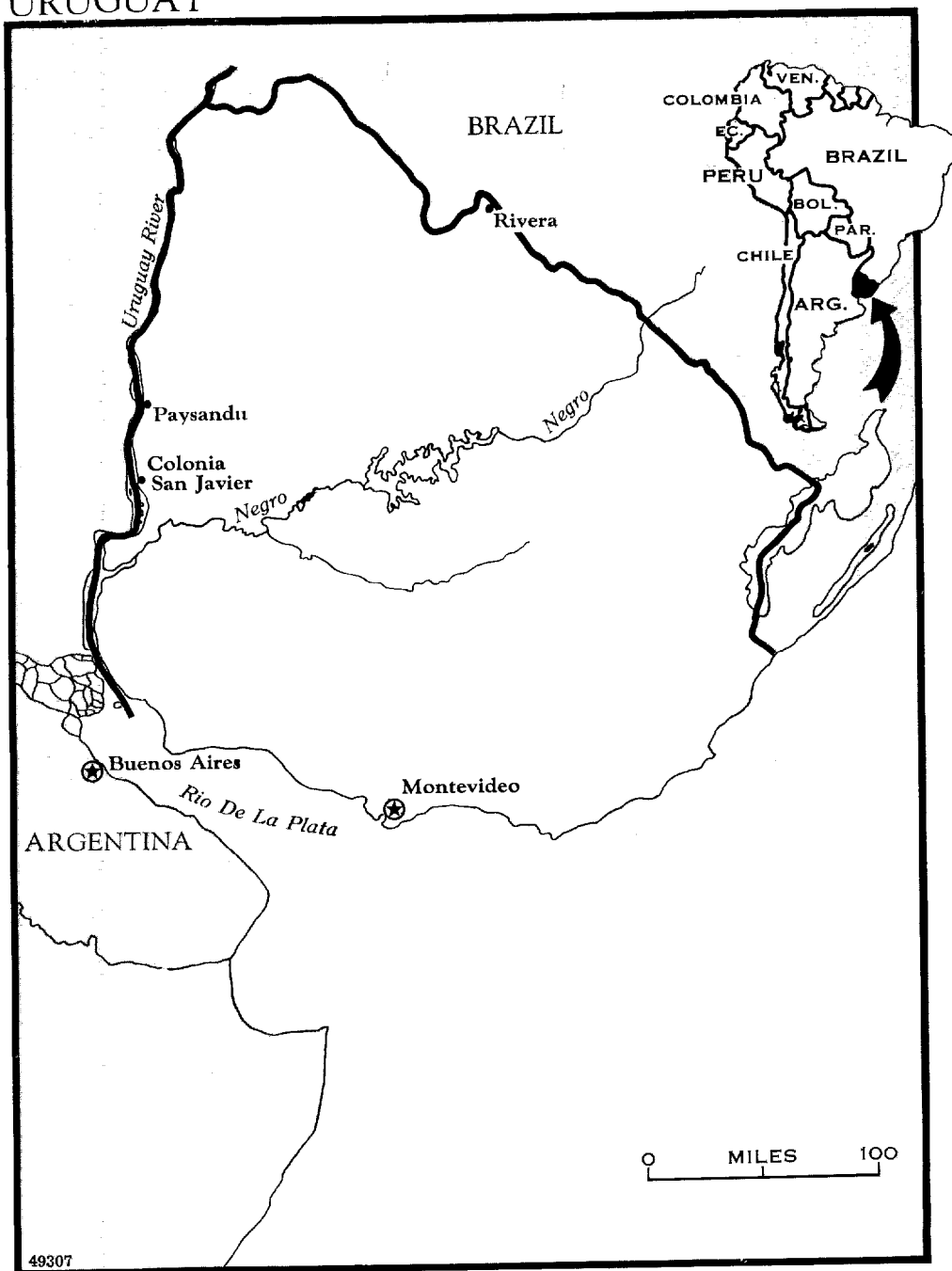
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13. The US has always had reasonably cordial relations with Uruguay, which long has been regarded as one of the model democracies of the hemisphere. Our aid program is small--amounting to some \$900,000 estimated for fiscal year 1966--and is concentrated mainly on improving Montevideo's security forces and on some small agricultural and administrative development programs. Our MAP program is also small--approximately \$2.4 million estimated for fiscal year 1966--but it is important to Uruguayan military officers. Recent Uruguayan foreign policy--controlled and directed by nationalist elements in the National Council--has seemed calculated to frustrate and embarrass the US, as in the Dominican Republic debates in the UN Security Council.

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THE SITUATION IN URUGUAY

DIRECTORATE OF INTELLIGENCE

Office of Current Intelligence

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